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SUBJECT: MARKET RESEARCH - PRODUCTION EQUIPMENT AND SUPPLIES FOR
THE ITALIAN CERAMICS INDUSTRY

FOR COMMERCE

REF: STATE A-6726, 8/26/74; MILAN 1379; MILAN A-30, 5/17/74

1. COMPLETED SUBJECT STUDY PRESENTED TO CONSULATE GENERAL DECEMBER 20 BY THEODORE TRANCU & ASSOC. STUDY SUMMARIZES ITALIAN CERAMICS INDUSTRY AS WELL-DEVELOPED, WITH IMPORTANT POSITION IN ITALIAN EXPORT TRADE. STUDY REPORTS CERAMICS INDUSTRY NOT SUFFERING FROM HOUSING SLUMP, AND THAT STEADY GROWTH CAN BE EXPECTED IN FUTURE. INDUSTRY IS MOST INTERESTED IN INVESTING IN AUTOMATED EQUIPMENT TO CUT LABOR COSTS. MARKET FOR PRODUCTION EQUIPMENT IN CERAMICS FOR 1974 ESTIMATED \$42 MILLION, 1976 \$45.8 MILLION, 9 0/0 INCREASE IN REAL TERMS. IMPORTS ESTIMATED 1974, \$7.2 MILLION, 17 0/0 OF CONSUMPTION; 1976, \$8.2 MILLION, PROJECTED 13.8 0/0 INCREASE REAL TERMS. U.S. IMPORTS TO ITALY DESCRIBED AS \$1 MILLION 1974, 14 0/0 OF IMPORTS

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2.3 0/0 OF SALES; 1976, \$1.28 MILLION, 2.8 0/0 OF SALES, A28 0/0 INCREASE.

2. THE TRANCU STUDY CONCLUDES THAT U.S. IMPORTS OF PRODUCTION EQUIPMENT FOR CERAMICS ARE LIMITED BY PRESENCE OF LARGE DOMESTIC EQUIPMENT INDUSTRY, STIFF FOREIGN COMPETITION, AND DIFFERENCES IN U.S. AND ITALIAN MANUFACTURING PHILOSOPHIES. THE STUDY STATES THAT
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GREATEST U.S. MARKET IS IN AUTOMATED EQUIPMENT, ESPECIALLY UTILIZING

ELECTRONIC CONTROL, AND LABORATORY EQUIPMENT AND INSTRUMENTATION FOR QUALITY CONTROL.

3. THE STUDY FINDS THAT THE ITALIAN MARKET IN THIS INDUSTRIAL SECTOR DOES NOT JUSTIFY A FULL MTC SHOW. RECOMMENDATION IS FOR JEEP WITH SPECIALIZED EXHIBITORS IN AREA OF HIGH U.S. EXPERTISE. THE STUDY STRONGLY CAUTIONS THAT MANY EQUIPMENT IMPORTS ARE MADE DIRECTLY FROM THE FOREIGN MANUFACTURER, AND THAT PROSPECTIVE AGENTS/DISTRIBUTORS IN ITALY ARE LIKELY TO BE DOMESTIC EQUIPMENT MANUFACTURERS.

4. ADDITIONAL COMMENTS WERE REQUEST BY USDOC ON THE ITALIAN GLASS INDUSTRY. THE TRANCU REPORT ESTIMATES U.S. SALES IN ITALY, 1974, AS \$300,000 OF \$34 MILLION VOLUME. TRANCU FOUND LOW U.S. SALES COUPLED WITH LACK OF INTEREST IN U.S. PRODUCTS ON PART OF GLASS MANUFACTURERS INDICATED PROMOTION TO GLASS INDUSTRY NOT JUSTIFIED, AND THAT ITALIAN GLASS AND CERAMICS INDUSTRIES TOO DISSIMILAR TO JUSTIFY GLASS AS PART OF CERAMICS JEEP.

5. COMMENT: THE POST HAS FOUND THE TRANCU REPORT TO BE WELL-PREPARED AND WITHIN STATED SPECIFICATION. WE FIND TRANCU CONCLUSIONS CONCUR WITH OUR PTR ON THIS INDUSTRY. FROM STUDY CONCLUSIONS, WE BELIEVE JEEP IN EQUIPMENT FOR CERAMICS INDUSTRY SHOULD INCLUDE HIGHLY AUTOMATED PRODUCTION EQUIPMENT, EQUIPMENT FOR PRODUCTION OF CERAMICS FOR USE IN THE ELECTRONICS INDUSTRY, LABORATORY INSTRUMENTS AND EQUIPMENT FOR QUALITY CONTROL, AND SPECIAL RAW MATERIALS, E.G. KAOLIN. WE CONCUR WITH STUDY THAT NATURE OF ITALIAN GLASS INDUSTRY PRECLUDES COMBINATION CERAMICS-GLASS JEEP AS ENVISAGED IN OCTOBER, 1975, JEEP FOR MTC.

6. POST IS TRANSMITTING TEN COPIES SUBJECT STUDY TO USDOC ON DECEMBER 24; THREE COPIES APO, SEVEN COPIES AIR POUCH.GOOLD

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